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1. The Vietminh Scorched Earth Policy is a matter of the utmost seriousness. It is being carried out with extreme thoroughness in all areas even remotely threatened by the French. This policy is responsible for 95% of the current destruction as bombing by French planes has been limited and has had but little effect on strategic objectives. Railroads, power plants, industrial installations and even residential buildings have been or are being systematically destroyed by the Vietminh.

Power Plants

2. Cities and towns in which electric power plants are still functioning are Cao Bang (106-16,22-39), Bac Kan (105-50,22-08), Viet Tri (105-25,21-17), Vinh Yen (105-42,19-07), Phu Tho (105-12,21-24) and Tuyen Quang (105-14,21-48). The reason for the lack of electricity at Thai Nguyen (105-50,21-35) is that the city was formerly supplied from Hanoi. Sources saw parts from an electric plant which were being floated southward along the canal (which runs in a southeast direction from Thai Nguyen). It was rumored that these parts came from a sabotaged electric plant further north and that they were being shipped to Nha Nam (106-05,21-27), where they would be used to supply electricity to the radio station being installed there.

Telecommunications.

This radio station at Nha Nam will be the new "Radio Vietnam" and the Vietminh hope that it will be more efficient than the present broadcasting station which is being constantly moved from place to place for security. Nha Nam, situated in the mountains, is celebrated for its security, having in the past contained rebel elements which held out for years against the French. For military and government business, radio is used to a limited extent. Generators are usually hand-operated. The radios are of miscellaneous manufacture and are not efficient. One handicap is the necessity of numerous relays. Telephones and telegraph are usually dependent on hand-operated generators as most of the electric plants have been destroyed. Considering the handicaps, the telephone and telegraph service is remarkably efficient. Telephone instruments are mostly of

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French manufacture together with some British and US Army field telephones. In view of the limitations of the above, much reliance is placed upon messengers travelling by bicycle or on foot.

Industrial Installations and Buildings

4. An iron mine 3 miles north of Thai Nguyen has been completely sabotaged. For destroying some of the machinery the Vietminh used explosives. This is unusual as most destruction is carried out by hand. On 1 February 1947 the Vietminh issued a general order for the destruction of all cities. One of the purposes of this order was to prove to the French that even if they re-conquer the country they would have nothing of value. The order of destruction is as follows: ex-French public buildings, the Vietminh's own public buildings, two-storied buildings, all markets, shops and houses. Churches and temples are spared. The only towns which are exempted from this general order for destruction are those in remote areas or mountain strongholds which the Vietminh hope to retain indefinitely. Examples are Phuc Hoa (106-31,22-32), Cao Bang, Bac Kan, Nha Nam, Cho Chu (?105-40,21-55), Yen Bay (104-50,21-40), Lao Kay (103-56,22-30) and some cities to the north and west as well as some in Northern Annam. In other cities which the Vietminh feel that they will probably have to evacuate sooner or later they have destroyed or are destroying all the buildings which are difficult or time-consuming to demolish—that is, buildings made of more substantial material than wood. The only exception to this is buildings owned by the Chinese, which they try to spare as much as possible. Examples of towns being submitted to this preliminary destruction are Tuyen Quang and Thai Nguyen. When a French attack upon a town is imminent, the Chinese buildings are hastily destroyed, wooden houses and bamboo huts are set on fire. The result is that when the French finally take the town absolutely nothing except churches and temples is left standing. The following cities have been completely destroyed in this systematic manner: Hung Yen (106-03,20-38), Son Tai (105-29,21-03), Phu Ly (Fu Li 105-55,20-33), Ninh Binh (105-58,20-16), Thai Binh (106-20,20-27), Tien Yen (107-24,21-19), Phu Lang Thuong (106-21,21-15) and Hon Cay (107-58,21-32). The following are almost completely destroyed: Hadong (105-46,20-57), Bac Ninh (106-04,21-00), Vinh Yen (105-42,19-07), Phu Tho, Hoa Binh (105-58,20-56), Phuc Yen (?105-42,21-14), Viet Tri, Tuyen Quang, and Thai Nguyen. The following are partially destroyed as the Vietminh were forced to evacuate before completing their demolitions: Hanoi, -70%, Hai Duong (106-30,20-45)-50%, Nam Dinh (106-17,20-23)-40%, and Haiphong-30%. Of the cities of Tonkin reoccupied by the French, not a single one is intact and by far the greater number are totally destroyed. This destruction is more extreme, systematic, and efficient than that being carried out by the Chinese Communists in North China. Unlike North China where destruction is carried out by Communist troops under military orders, in Tonkin it is carried out by civilians. "Volunteers" are levied by Youth Organizations, Womens Organizations, etc. As yet there seems to be no real resistance on the part of the local population to destroying their own property. In addition this effort provides a sort of "work relief" for persons whose normal activities have been stopped and for refugees. The destruction is mostly carried out by hand methods, the masonry walls being breached by battering rams made of railroad rails. The destruction is completed with pick and mattock.

Roads and Railroads

5. Except those roads which are essential to Vietminh activities, all roads are being systematically blocked and torn up. Sources observed permanent road blocks on some roads at 50 yard intervals. Blocks are constructed where possible in places where a detour would be difficult—such as a stretch of road in a narrow place between a bank and a canal. Blocks consist of heavy bamboo poles, the bamboos driven into the ground, and the frame filled with large stones. A large amount of the surface of paved roads has been torn up and frequent holes

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are dug in the roads. The purpose of these efforts is not only to carry out the Scorched Earth Policy but is concerned with the Vietminh's real fear of French motorized spearheads—tanks, armored cars, and jeeps—advancing suddenly into their territory. Some secret foot roads for military use have been newly built. There is no railroad traffic. All rolling stock, all bridges, and much of the rails have been destroyed by the Vietminh. There are no trams.

Vehicles in Use

6. **Military Vehicles:** There are many American and European trucks. Most frequently noted are Fords and Dodges. At Cao Bang sources saw at least 25 trucks. At Thai Nguyen there are about 50 military trucks, mostly 2½ tons and including many Dodges with double rear wheels. Petrol is scarce. Charcoal is used usually as motor fuel, and castor oil for lubrication. The result is many breakdowns. These military trucks are usually camouflaged and hidden during the daytime but are extremely active at night. They are used almost exclusively for the transportation of supplies; troops move on foot. However, most military supplies are transported by horse cart or buffalo cart. On more than one occasion sources observed caravans of over one hundred such vehicles moving at night. Sources saw Vietminh officers in a jeep which was operated on petrol.
7. **Civilian Vehicles:** Practically no Government officials, even the highest ranking, have their own cars. Instead, in each locality there is a Government pool of civilian cars from which vehicles are placed at the disposal of officials for official business. These cars are in short supply, mostly operated with charcoal and castor oil, and are in extremely poor condition. Officials use bicycles to a great extent. Buses are privately owned and operated on charcoal and castor oil. They are in poor condition and very crowded although less crowded than in many parts of China. There are practically no privately-owned automobiles. Bicycles are the backbone of transportation for civilians; for civilian supply and business, horse carts are chiefly relied upon.

GENERAL ECONOMIC INFORMATION

8 Money 25X1X

Both the piastre of the Banque de l'Indochine and the Dong-Bac, which is pure fiat money, circulate freely. They are interchangeable at par and no distinction is made by the population between the two types of money. (see paragraph 22). In the border regions a problem has been created by the circulation of counterfeit Dong-Bac in various denominations. The counterfeit is an excellent imitation of the real thing. It is made in China and smuggled across the border.

Commodities and Commodity Prices

9. There is no rationing. Rice is plentiful and reasonable in price. For example, in April 1947 the following were the retail prices of rice in three different areas: Cao Bang—450 piastres or Dong-Bac per 100 kilos; Bac Kan—250 piastres or Dong-Bac per 100 kilos; Thai Nguyen—130 piastres or Dong-Bac per 100 kilos. The difference in rice prices in various areas is because of the different distances from the rice producing areas. The local government fixes the prices but more with a view toward avoiding violent fluctuations than in an effort to place the price at a figure below the normal open market value. There is no evidence of the existence of a black market in Vietminh-controlled areas. In French-controlled areas the official exchange rate is 7 piastres to US\$1; the black market rate is 40 piastres to US\$1. [REDACTED] note: Various reports, sometimes from the same sources, speak of the efficiency with which the Vietminh punishes "black

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marketeers" in Viet-Minh-controlled areas and at the same time indicate that there is no rationing and practically no price control. It has been reported that the Vietminh refer to as the "black market" is the competition by private business interests, at extortionate prices, with government monopoly at official prices. Naturally this sort of "competition" can only take place in items in which the demand exceeds the supply. An example of this is sampan, junk, and wagon transportation. Another form possible of the "black market" is that in currencies). Grain merchants who used to do a large import and export business are unhappy because this business is now a Government monopoly. There is no evidence of starvation and very few beggars are to be seen. By and large the population appears to be less undernourished than in South China.

10. Cloth is scarce and rather expensive. There is no price control. An effort is made to encourage local cloth production from various fibres, particularly silk. The cost of the local silk is from 40 to 90 Dong-Bac per metre, depending on quality. The cheapest cloth (imported Chinese) is about 30 Dong-Bac per metre. There is an import duty of 15% on cloth. Consumption on cloth is limited by the fact that it is considered poor form to be well-dressed. Foreign-style clothes are seldom seen.
11. Soap is scarce and expensive. There is an import duty of 15% on soap. The scarcity of soap is not a serious handicap to the local population as they depend on other cleansing materials.
12. Opium smoking is illegal; in addition, there is much government propaganda against this habit. However, no attempt is made to control the growing of poppies because the flowers provide a quick cash crop for the farmer and the opium can also be smuggled into China, where it provides foreign exchange for the purchase of weapons, cloth and petrol.
13. Draft animals are rather scarce and it is forbidden to slaughter them for meat. Fish and vegetables are plentiful. Salt, for both human and animal consumption, is extremely scarce. This fact may prove to be an important weakness in the public health of Vietnam.

Vietminh Version of Economic Situation

14. [REDACTED] note: The following is a translation of a memorandum in French made available by TRAN chi Binh, a representative of the Information Department of the Vietminh Ministry of Interior. This memorandum may be considered as the official version of the Vietnam Government's economic policy, which is not necessarily carried out in fact. This version appears to be intended to present to occidentals a picture of an economic policy which is not too close to Communism and also to appease Vietnamese private business interests, as possibly representing the "conservative" group (previously reported) existing in but not of the Vietminh). The memorandum has not been evaluated.

"There is not yet any real famine in Vietnam.

In certain regions, there is a shortage of paddy.

Considering the difficulties of communication with Cochinchina this shortage threatens to become worse.

The policy of the Government consists in (1) conserving the paddy crop for internal consumption, hence the embargo on exports; (2) helping the areas of scarcity.

The Government implements this policy by the following methods:

a. It gives social assistance. It buys paddy in areas where it is in plentiful supply, transports it to regions of scarcity, and distributes it free of charge to needy families. This is true in all regions.

b. Hand in hand with this program, individual merchants wish to transport paddy to these regions to sell it. As that contributes to the assist-

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ance of those regions, the Government provides these merchants with means of transport.

The Government has not assumed a monopoly on paddy. On the contrary, it is evident that it helps private capital when the latter is helpful to the relief of want.

The Government has no intention of mixing in private business."

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note: Private export of rice is forbidden. However, the Government exports considerable quantities to China to obtain foreign exchange for arms and necessary goods).

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Taxes

15. The land tax has been reduced by about 25% from that existing under the French. The tax on land and buildings in Tonkin yielded 3 million piastres in 1946.
- 25X1A Comment: This apparently includes the important cities now held by the French). Rice is the common denominator in calculating the value of the land for tax purposes. A graduated tax is levied on personal income, but it is not severe. Import taxes and taxes on busses provide some revenue, but under current conditions these cannot be expected to be an important factor. The Chairmen of the Local Peoples' Committees are generally responsible for the collection of taxes. In addition, the Government appoints tax inspectors. The localities retain part of the revenue for themselves, according to a scale set by the National Government. In addition they can collect other taxes, the proceeds of which are fully retained for local use such as the tax on markets and the tax on bicycles. Note: VO ngyuen Gian states that there would be no taxes.

on new lands opened under the production drive. An American free lance correspondent states that there are to be no taxes for the first three years, but that the tax program after that time has not been decided, and that so far no new lands have been opened to cultivation except the extension of use of privately-owned, undeveloped land.)

Budget

16. The Government revenue is now at the rate of about 100 million piastres (Dong-Bac) annually, but this figure has little real meaning. The budget has of course been increasing and is now at its highest point to date. The National Government sets the budget for the various localities. (See paragraph 22).

Salaries

17. The National Government sets salaries of all public officials. The Chairman of the Cao Bang Peoples' Committee for example received 600 piastres per month. The lowest such salary for a Chairman of a Peoples' Committee of a less important locality is 300 piastres. A house and servants are provided for these officials but food must be bought out of their salary.
18. The principal increase in production in the Cao Bang area has been in maize. This crop was formerly exported to France for livestock feed, but is now consumed locally by the people.

Imports

19. Goods for common use may be imported. Limits are placed on the value of goods to

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be imported; luxury goods are prohibited. The present program does not satisfy the traders but it tends to meet local needs for essential items. One of the greatest needs is for drugs which are extremely scarce in the country. The steel for making guns locally comes primarily from the rails that have been torn up.

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20. Binh states that it is desirable for French Indo China to compromise on some form of government with the French but that it is a question of degree. According to Binh, the important point is the customs; the country cannot safely allow the French to control them. ([REDACTED] note: The Haioi Incident of 19 November 1946, which was a prelude to the present conflict, was a battle for the customs. This has been one of the cardinal points with the "Conservatives" of the Viet Nam Government, of which group TRINH Van Binh is a member.) French Indo China wants foreign capital, but measures needed to protect the nation from foreign economic domination have not been decided. After the cessation of hostilities in French Indo China there will be plenty of goods for export; needs for import will be enormous - primarily, finished consumer goods and later, basic machinery for production. 25X1A

SITUATION IN THE LUNG CHOU (106-56,22-22)--CAO BANG (106-16,22-39) AREA 25X1X

21. The situation around Lung Chou is generally quiet. One of the most difficult problems is the large number of Annamites who have crossed the border in order to take refuge from the Viet Minh. The French Consulate in Lung Chou is seeking to alleviate their plight by giving them a dole of CNC \$20,000 per month.
22. In the Cao Bang area, the whole population is bitterly opposed to the Viet Minh but is kept in a state of subjugation by Viet Minh terrorism. The Viet Minh have forced them to give up their Indo Chinese piastres and other currencies and have replaced them with the Dong-Bac. The population realizes that the Dong-Bac is worthless, but so tight is the Viet Minh control that this is the only money which circulates. ([REDACTED] note: It has been previously reported that the Dong-Bac is admittedly fiat money and was originally designed to be the Viet Nam equivalent of the French piastre. In February 1947 it was being exchanged in the black market in border regions between the Viet Nam-controlled and French-controlled areas at 1 for 1.20 piastres. It is stated that the black market in these regions is .90 Dong-Bac for 1 piastre.) The worthlessness of the Dong-Bac is apparent from the prices of commodities and price control system. Another serious source of discontent against the Viet Minh is the large number of "voluntary" contributions which they force the people to make for various causes -- Peoples' Committees, political organizations, relief, cultural associations, etc. 25X1A

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